From: Tony Laughman [mailto:tony.laughman.pcm@comcast.net]
Sent: Wednesday, April 25, 2007 10:10 AM
To: EBSA, E-ORI - EBSA
Subject: comments about fee disclosure for 401(k) plans
Importance: High

Dear DOL Staff Member,

My name is Anthony Laughman, I am an Investment Adviser Representative and work under Pilot Capital Management in Hanover, PA. Our CRD number is 123088. We are a fee-only Registered Investment Adviser and Financial Planner. I secured my series 65 license in November of 2004 and the owner of the firm has been an RIA since 1991 (that's close, anyway).

As most fee-only investment advisers, we are constantly battling the hidden fees of brokers, insurance companies and the like. I have not yet run into a situation where the consumer fully understood all fees and I don't believe my associate has either.

So first, I think any fee disclosure must reflect ALL fees and be easily understood by the consumer. I don't believe it is necessary to protect, justify or rationalize any of the fees you are looking to disclose. I believe the regulation if enacted should not place blame, assign costs, rationalize expenditures or any of the above. If an attempt is made to do so it will merely muddy the water. The details of the fees can be addressed later in some other form if you wish.

I believe what I am about to propose is very simple and easily understood by the consumer. Here goes!

All 401(k) monies are deposited into an investment of one type or another. Therefore, the return and subsequent value of that investment (before any costs) is knowable in dollar and/or percentage terms.

At the end of a year, the value of each investment is known. (I speak in terms of yearly instead of monthly, quarterly or semiannually. This is because most consumers are already overburdened with information).

The difference in these two values: the value of the investment before any costs and the value of the investment as it shows up in the participant's account would be the cost to the participant. Any costs allocated to the plan (yearly recordkeeping costs, plan creation costs, plan dissolution costs, etc.) as opposed to being allocated the participant could be disclosed as a company cost if paid by the company or a participant cost if paid by the participant.

Costs associated with assets added to or removed from the plan during the year could be allocated on time-weighted basis.

Below is an example of what the cost disclosure may look like.

Value of all plan assets before all costs on 12/31/xx	$1,000,000.00
Value of all assets in plan participant accounts	$970,000.00

Employee fees $30,000.00
Company fees paid by the company to plan providers, advisors, etc. & not charged to the employee $5,000.00
Total plan costs $35,000.00
Total costs as a % of plan assets 3.5%

I am certain that the industry will try to make the case that doing the above would be cost prohibitive. I would counter that the "industry" is not hesitant to spend large sums of money in trying to hide the expenses in ever more creative ways. I helped to operate a mid sized privately owned business for 30 years before I entered this field. My experience is that something is always "too expensive" if you don't want to do it but on the other side of the coin it is "cost justifiable" if you do want to do it.

The above could be simplified even further by listing only a total for the costs and the related percentage or maybe even just the percentage. This would provide the plan sponsor & participant one or two very simple numbers which would give them the total picture and with which they could make straightforward comparisons to other plan providers.

It also has the effect of not placing blame on any one or more of the parties involved. I believe this is good because it makes it a bit more "politically palatable" for the parties involved. Also, most plan sponsors and participants don't care who is skimming what off the top, they are only interested in the what it costs them.

Hope this helps.

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Sincerely,
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